

Departments to Apartments

Implications and
opportunities in
light of proposed
changes to permitted
development rights

converting
office buildings
to residential

Mercer Building commercial to residential conversion.

Child Graddon Lewis Architects



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Executive summary

The UK, its government and the property industry are faced with an unprecedented challenge: our housing shortage is reaching crisis point while an estimated 18% of commercial building stock lies empty.

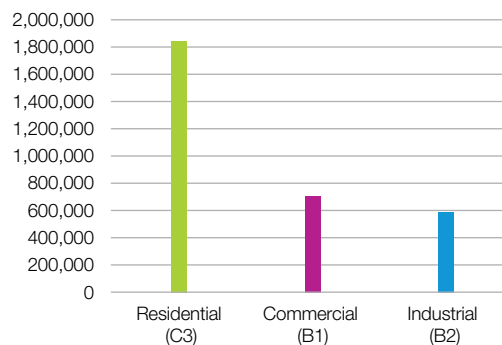
The UK, its government and the property industry are faced with an unprecedented challenge: our housing shortage is reaching crisis point while an estimated 18% of commercial building stock lies empty.

The planning proposals

The Government has consulted on proposed changes to relax planning rules¹ for buildings and land in England. This would allow the change from offices, research & development and light industrial properties (B1) to residential (C3) without the need for a planning application. As part of the changes to permitted development rights, it is also proposed to allow the development of more than one residential unit over retail (A1) premises. The Consultation also acknowledges the case for allowing change of use from general industrial (B2) and storage & distribution (B8) to residential.

Following the end of the Department for Communities and Local Government (CLG)'s consultation on 30th June this year, the changes could take effect by the end of this year.

Figure 1
Average national land values (£/hectare)



Exclusions

There are, of course, a number of caveats and exclusions. Listed buildings and proposals on contaminated land are expected to be excluded. A number of responses have suggested that buildings in areas designated as central activity zones, in strategic employment locations, or large schemes creating over 50 dwellings, ought to be excluded. The potential impact on the provision of affordable homes and the loss of employment space are clearly a concern to local planning authorities.

The opportunities

CLG figures² suggest that a potential 22,000 (net additional) new homes could be created as a result of the relaxation of rules on commercial (B1) to residential space alone. However, the reality is that the availability of commercial buildings in the right locations, built to an appropriate format and with financial viability, will limit the quantity of new change of use projects coming forward.

Nevertheless, this does leave a significant quantity of commercial space that could – in theory – be converted. This report examines the implications of the changes and opportunities for the property industry that could come about as a result.

Our analysis indicates that locations that are likely to present the greatest opportunity for development are in established centres or residential environments, particularly within the commuter belt areas around central London such as Kingston, Merton and the wider South East. However, regional town and city centres such as Bristol, Harrogate, Norwich and Southampton also present opportunities in light of current under-supply of housing and increases in projected households, and therefore demand, over the next 20 years.

1 i.e. permitted development rights

2 Presented in the CLG's consultation document – <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1883189.pdf>



Case study:

A worked example of a typical office building converted to residential.



Attractive buildings with sustainability benefits in the form of reduced energy bills, and which are safe and in accessible locations, will always appeal to occupiers.

Practicalities

The most likely types of commercial buildings to be appropriate for conversion are post-war office buildings built pre-1970 (though the requirement to comply with current building regulations then also adds to the complexity of the process).

In order to update office space from the 1945-1970 period to current building regulation standards, it is likely that re-cladding will be necessary. With re-cladding comes the requirement for a planning application for external alterations to the building, and therefore under the government's proposals, a reduced form of planning application could be made concerning only external alterations. This could leave planning targets that are currently enforced through applicants entering into s106 planning obligations, e.g. for affordable homes and EcoHomes/BREEAM, to be sought and agreed to only on a voluntary basis.

With sustainable development forming a key part of government policy, underpinned by its commitment to becoming 'the greenest government ever', a holistic approach that considers social as well as economic and environmental factors is needed to create developments that are desirable in the long term.

Anticipated changes to the building regulations in 2013 will make it mandatory to achieve an additional 25% improvement to energy efficiency and carbon reduction. In any case, future-proofing a development makes economic sense given the payback periods for sustainable technology and the reduction in the need for retrofitting to meet targets further down the line. And attractive buildings with sustainability benefits in the form of reduced energy bills, and which are safe and in accessible locations, will always appeal to occupiers.

The business case

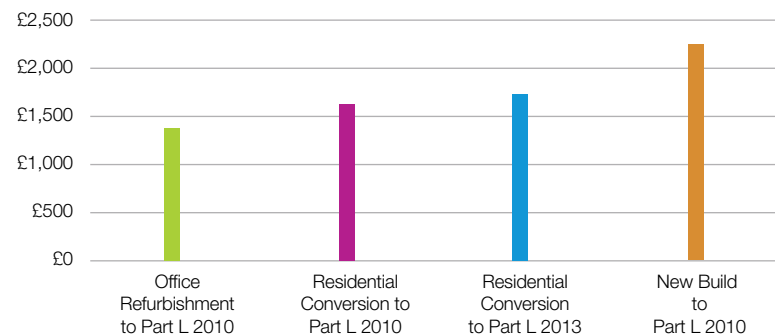
With planning restrictions removed and practicalities taken care of, the decision to convert will rest on the business case.

This report includes a case study forming the basis of four cost scenarios to illustrate the potential options available to decision makers (Figure 2):

- The cost of upgrading an existing (older) commercial building to meet current standards and occupier requirements.
- Conversion to residential to meet existing building control regulations (B1 to C3).
- Conversion to residential to meet 2013 building control regulations (B1 to C3).
- An equivalent new build residential development.

Figure 2
Development options and cost comparison

Cost per square metre of development



An analysis of the cost options, summarised in Figure 2, highlights:

- An approximate cost increase of 20% between refurbishing older office stock and converting the same building to residential use;
- A further 17% would be added for equivalent new build development.

Given that average national commercial land values are less than half those of residential – added to the removal of costs and risk associated with obtaining planning permission and other approvals – there is a strong business case for conversion schemes.

Introduction

The pressure for housing remains high due to low levels of supply combined with recent economic influences on affordability and finance.

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At present, the use of land and buildings is defined by the Town and Country Planning (Use Classes) Order 1987 (as amended), and the planning system requires that changes of use between 'classes' are subject to a planning application for development. The Town and Country Planning (General Permitted Development) Order 1995 (as amended) (the GPDO) is the statutory instrument by which certain changes of use are granted a general permission, such that an individual planning permission need not be applied for.

The government's consultation proposals would relax planning rules which apply to England, such that changes of use of buildings and land from Use Class B1 (offices, research and development and light industrial) to the residential use class (C3) would be permitted without the need to apply for planning permission. The consultation proposals also suggest that there is a strong case to also allow permitted development rights from B2 (general industrial) and B8 (storage and distribution) to C3. Other proposals include allowing development of more than one residential unit over retail (A1) premises.

These proposals relate to the change of use of buildings and land with existing designated use classes with the proposal that a property should be able to revert back to its original use should it prove unsuccessful as residential, and provided it is undertaken within five years.

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This is generally intended to apply to land that has been built on. By necessity the redevelopment of land will bring with it a far wider range of planning issues, effecting in particular, the supply of strategic employment sites. The focus of this study has, therefore, been on the change of use /conversion of buildings.

Removing the burden and costs associated with such planning applications and establishing the principle that change of use between these classes is appropriate could encourage developers to bring forward more proposals for housing. It is proposed that any external alterations, on the other hand, are still likely to need approval under normal planning application procedures.

This report focuses on the implications and opportunities with regards to the conversion of existing buildings, and provides practical advice in this respect. This focus also reflects the fact that there are many more planning issues at stake in allowing greater freedoms to convert land, and that the outcome of this debate is far more uncertain at this time.

The following exemptions from the proposed changes to permitted development rights are identified in the government consultation (albeit this may be subject to changes):

- Listed buildings
- Contaminated land
- Schemes requiring Environmental Impact Assessment.

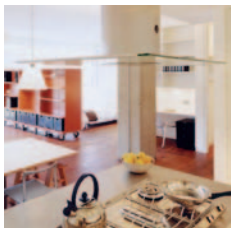
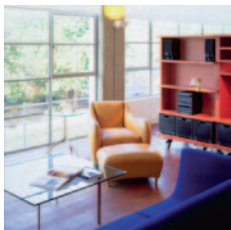
The government's own figures suggest that the proposed changes could theoretically release a stock of B1, B2 and B8 premises to create almost 60,000 homes each year.

The outcome of the consultation, and the government's final proposals have yet to be revealed; for example, it remains to be seen whether the government will attach criteria, conditions or thresholds to the new permitted development right, and what these might be.



Conversion of existing canalside office building in London to private residential.

Child Graddon Lewis Architects



Converting commercial buildings to residential is not a new concept. There is, in theory, nothing to stop a landowner applying for change of use, but in practice many local planning authorities often safeguard 'employment uses', and seek to resist change of use that will not retain or directly generate employment. Conversion schemes are feasible within the existing controlled policy environment, but the government argues that changing the law will encourage implementation. In some instances there are legitimate reasons for local authorities to protect employment use; for example the City of London feels it should be able to compete with other world cities in providing the best commercial space available and this policy would frustrate efforts to achieve this. There are also numerous examples of areas where there is a strong need for employment land to meet the needs of business. In these cases, there is a good case for such land to be rightfully protected.

Nevertheless, other areas exist where redundant and obsolete commercial buildings lie empty, whilst severe housing need is prevalent, and it is this part of the opportunity that is the focus of this research. There is no doubt that there are opportunities to be had – and important benefits to come from this, not least in the supply of housing but also through breathing new life into old buildings and revitalising townscape. This is in addition to the question of the sustainability benefits of reusing existing building stock.

This report has been prepared by a consortium of industry experts and examines in detail the implications of the government's proposals, as they relate to building conversions. The report provides an assessment of the potential impacts of the proposed legislative change and outlines practical issues in relation to architecture, planning, building regulations, cost and sustainability issues facing potential conversion projects.

The report is structured to answer the following questions:

What is the scale of the opportunity?

How could the opportunities be realised?

What are the implications for policy?

The final section draws on the conclusions to these questions, and presents a guide for decision makers in the form of a developers' 'toolkit'.

The consortium is led by Child Graddon Lewis (CGL) Architects together with Nathaniel Lichfield & Partners (NLP) planning consultants, Gifford (part of Ramboll) environmental engineers, Robinson Low Francis (RLF), cost consultants. The NHBC has provided advice and guidance on the content.

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What is the scale of the opportunity?

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Clearly, these estimates are not based on market testing or subject to more detailed analysis of the data or the types of property on which these statistics are based. They can therefore only be considered as a starting point.

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What we are able to forecast is the type of space that is more likely to be suitable, where in the country this type of space is concentrated and some of the practical barriers that might stand in the way of conversion. The following sections examine these issues in more detail.

3.1 The government's estimates

The CLG consultation document provided high level figures to illustrate the potential impact of the new proposed permitted development right. It stated that:

- On average across 08/09 and 09/10 there were around 15,135 dwellings which came from change of use, of which:
 - 3,900 were from change of use from B1 to C3. This represents 0.2% of the stock of B1 floor space per annum.
 - 8,300 were from change of use from B1, B2 and B8 to C3. This represents 0.4% of the stock of B1, B2 and B8 floor space per annum.

CLG estimates suggest that if conversion rates of B1 space increase from 0.2% to 1% of stock the number of homes generated would increase from 3,900 to 25,830 per annum. If the proposal extended to B2 and B8, an increase from 0.4% to 1% of stock would increase the number of new homes from conversion by 58,983 per annum.

The CLG consultation document states that the average vacancy rate in the commercial sector (B1, B2 and B8) in England is between 7% and 9% based on 2005 data. Based on the assumption that 50% is long-term vacant, and that only these spaces are converted, the maximum number of dwellings built could be around 262,880 new dwellings.

Most commentators believe the assumptions point to an overly ambitious estimate for conversion of buildings. The figures also ignore the scale of the opportunity that exists for undeveloped employment land for which the potential in quantitative terms may be greater, particularly for greenfield employment allocations in attractive locations.

Indeed, the factors driving the take-up of any proposed change will inevitably relate to a series of supply and demand factors, linked to the way in which the policy will be applied and the varying circumstances of different localities.

Mercer Building (interior)

Child Graddon Lewis
Architects

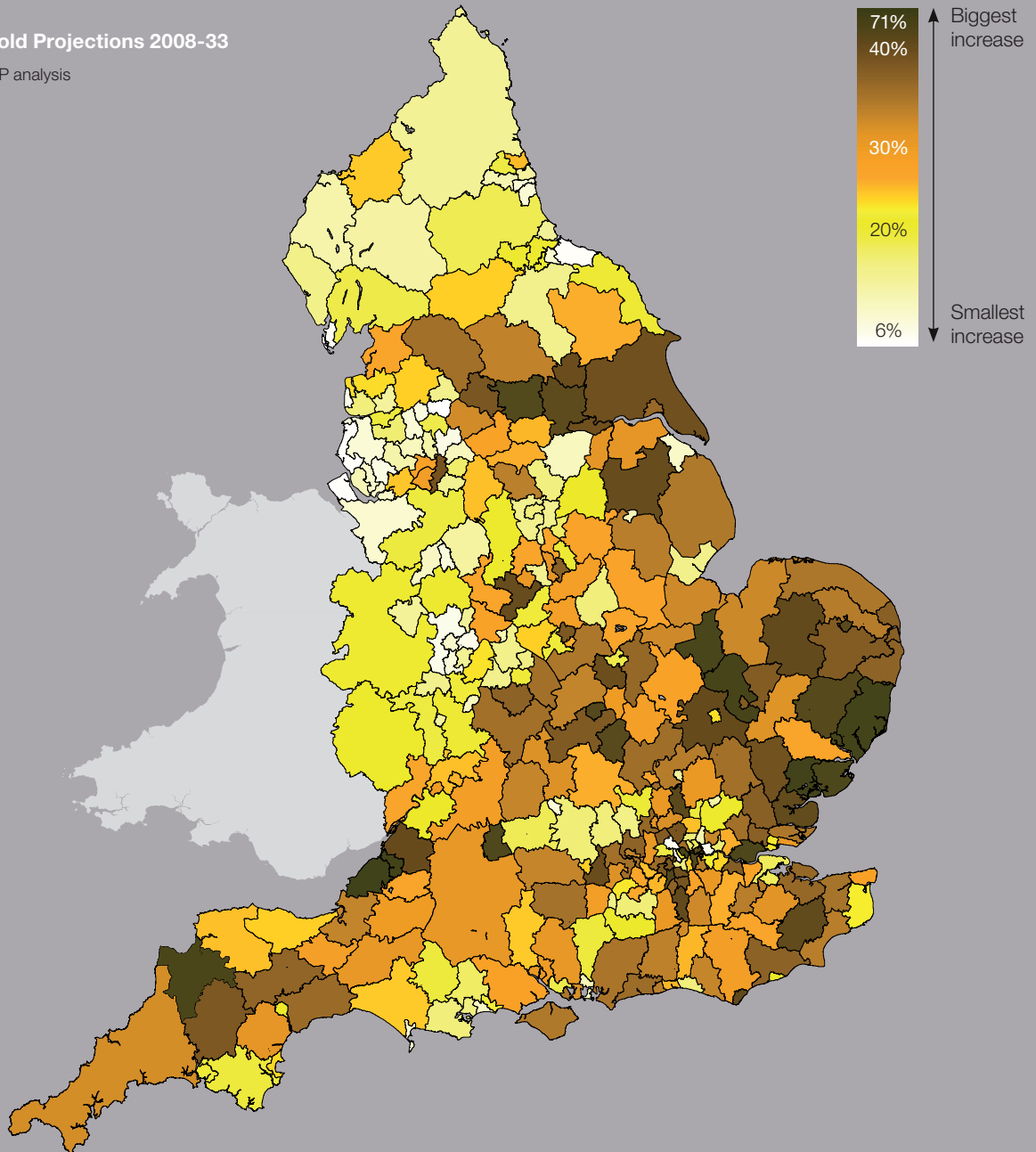


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Figure 3

CLG Household Projections 2008-33

Source: CLG/NLP analysis



3.2

Residential demand and the need for housing

The need for housing in England in the context of household growth and affordability problems remains acute and in the post-war period the shortfall in the supply of new homes has never been greater. The government has instigated a change in how local areas plan for housing, including the proposed abolition of Regional Strategies, freeing up local authorities to set their own housing targets.

Growth in households

Based on the government's 2008-based household projections, the number of households in England is likely to grow to 27.5 million by 2033, an increase of 5.8 million (27%) from 2008 creating 232,000 additional households each year. Low levels of annual housing completions (totalling just 107,220) in England during the past 12 months may be down to the economic recession, but prior to 2007/8 completions did not exceed 160,000. This shortfall is part of the explanation for affordability problems and the relatively high prices for residential property in the UK.

Of course the demand and need for housing is not uniform in type or location.

Around four million of the new households will be single person households (many of them elderly). This puts pressures on newly-formed younger couples and families. Owner occupation has fallen over the past decade from 73% to just 68%, and is forecast to drop further to 63%. The proportion of young householders aged 25-29 who were private renters rose from 19% to 38% in the period between 1993/4 and 2007/8. Renting is more synonymous with smaller and flatted accommodation, the supply of which increased dramatically over the same period, particularly in urban areas. And in some urban areas, affordability pressures have priced households into locations previously considered less attractive, potentially in areas where employment space is situated.

Together, affordability, the crunch of mortgage availability and requirement for large deposits; all dampen demand for properties. In some cases the over-supply of new-build apartments and collapse in the speculative buy-to-let market in some central locations, has made it difficult to secure mortgages for those dwellings. How long it will take for this situation to resolve is uncertain, but most analysts expect it to continue for a number of years. Some expect new financing models, including institutional investment in private renting to be a solution, but the scale of this is untested. Combined, these factors act to limit realisable demand for conversion of office space in all but the strongest market locations.

Regional variations

Looking longer term, there will be large variations in the pattern of future growth in households across England. In general terms, London and the wider South East, parts of the South West, East Midlands and M62 Corridor are projected to see some of the largest proportionate increases in households: of up to 71% over 25 years. (This is illustrated in Figure 3). And in absolute terms it is the cities – Birmingham, Bristol, Leeds, Nottingham, Manchester and of course London – that will see some of the largest increases in number of households, alongside other high growth locations – Milton Keynes and Colchester – or larger counties – Durham, Cornwall and Suffolk.

So, in terms of demand for residential accommodation, the following picture exists:

- The immediate and long-term need for housing generally is strong and likely to persist, particularly in metropolitan and urban areas and in the south of England.
- Realisable demand however, is dampened by current market factors, except in the strongest markets.
- There is an increase in demand for rental properties and accommodation for smaller households.

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3 What is the scale of the opportunity?

3.3

Type and condition of buildings

Although in most urban areas there are examples of vacant commercial space that theoretically create opportunities for residential conversion, there simply is not the evidence to accurately quantify how many have genuine practical potential.

Office space

It is generally considered that the space most suitable for conversion to residential will be office space (B1), rather than general industrial use and warehousing (B2, B8). This is because office buildings have been designed for occupation, placing greater importance on issues such as daylight and ventilation than many typical industrial or warehouse buildings. Because the requirements of office buildings have a greater similarity to those of residential, and are generally in more accessible locations, we agree with the CLG that change of use from B1 to C3 would be the 'key proposal'.

However, the age of any existing building is likely to be a key determinant. In broad terms, office buildings can be grouped into three categories:

A: pre-1945 buildings;

B: 1945-1970s; and

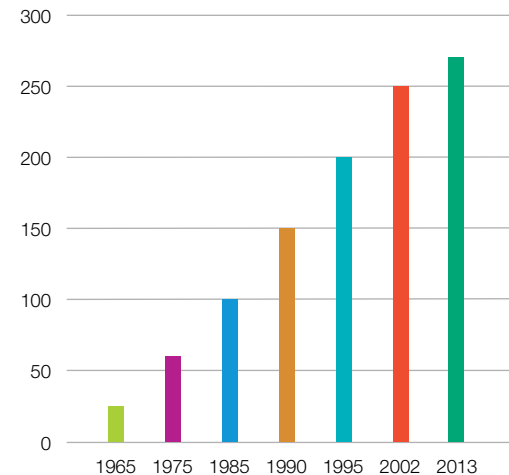
C: 1980s to present day.

Generally speaking, the shift in format and design between these vintages has an impact on the practical viability of conversion potential.

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Figure 4

The increase in depth of insulation required since the u-value limits introduced in 1965 (mm)





Example of an existing building in Paris, re-clad with winter gardens and balconies by Lacton and Vassal Architects



Mercer Building mixed use conversion
of load bearing masonry building.

Child Graddon Lewis Architects



A: Pre-1945 buildings

Pre-1940s construction, buildings types such as Victorian warehouses, are likely to differ to the typical post war office building in the way they can be converted. Often, the building will have load bearing masonry walls instead of a framed structure, which is more typical post war.

For these buildings, compliance with current regulations for improved thermal performance of the building envelope would most likely result in applying new insulation internally and replacement windows.

Because the potential to insulate internally is unlikely to require significant alteration to the building's external appearance (beyond window replacement, landscaping etc) such schemes are less likely to trigger the requirement for a planning submission. Conversion schemes that can be internally insulated may therefore have reduced standards placed upon them by planning authorities. It is nonetheless still possible that a planning application for external amendments will be required if, for example, the building has historic value. However, in this scenario, the character of the existing building often makes these types of conversion projects more desirable to buyers.

Although in theory there is a reduced risk in taking forward pre-war buildings, there are still some challenges:

- **Supply** – a smaller supply of such building types compared to post-1950s B1 stock will limit the scope of these types of buildings contributing any significant development opportunities.
- **Internal disruption** – internally insulating to sufficient standards can take up significant floor space (as indicated by Figure 4 on the previous page).
- **Flexibility** – designing a residential layout within existing window openings of a commercial building can be limiting to the proposed layout. This may cause fewer individual dwellings to be created from the equivalent floor space of a re-clad project where openings may be more flexible.
- **Energy consumption** – high level energy efficiency is more difficult to achieve when renovating internally. Issues such as cold bridging and air tightness are likely to be more problematic than in a re-clad approach.
- **Heritage Issues** – many pre-war buildings may have heritage constraints that limit conversion potential. Listed buildings come with additional sensitivities that can constrain the opportunities for conversion, while being located in a Conservation Area could create added complication and expense.



Kean Street, London.

Conversion of Victorian commercial building to residential.

Child Graddon Lewis Architects



3 What is the scale of the opportunity?



A typical 1945-1970s building

B: 1945-1970s buildings

The design of post war office buildings has developed to accommodate changes in relation to servicing and information technology. The format of offices built over the past 60 years fall into two distinct typologies – 1945-1970s, and 1980s onwards. Of these, the former perhaps present more opportunity for conversion, being more likely to have reached the end of use cycle or be in a location where the market has moved on.

In practical terms, the key characteristics of commercial buildings built between 1945 and 1970 are:

- Framed structure – generally concrete, as opposed to masonry load bearing walls.
- Shallow plan width (approx. 10-14m). These are more suitable to accommodate apartment layouts as depth of plan and orientation of existing floor plates are more adaptable allowing adequate daylight for residential layouts.
- Slab to slab floor heights of approximately 3m, and constraints on floor loadings means that servicing requirements for modern office occupiers are not easily accommodated, meaning that these buildings are more likely to remain vacant.
- Looking to the future, increasingly stringent energy efficiency requirements will add further pressure on costs of upgrading older office stock. A recent report from the British Council of Offices suggested that as F and G rated properties are banned from 2018 onwards, more than 60% of private sector office buildings in London could become obsolete.

Although post-war /pre-1970s commercial buildings are most likely to be viable in terms of conversion to residential, and are in some cases perhaps most likely to be vacant, most of these buildings in a conversion project are likely to require significant upgrades to the facade, which will usually require planning permission for the operational development.



A typical 1980s to present building

C: 1980s to present buildings

Office buildings post-1980 tended to be created on a deep plan format (between 15-18m) which are not easily adapted to suit residential layouts, principally due to the ratio of floorspace versus façade which restricts the positioning of windows to habitable rooms. All things being equal, the higher floor to floor heights (between 3.7-4.2m) are still more likely to accommodate modern office servicing requirements, therefore reducing the likelihood of these types of office buildings becoming vacant in situations where the market for office space remains reasonable.

Industrial buildings

Although there are likely to be a number of buildings with potential, the government's view is that general industrial or warehousing (B2 and B8) type buildings are often in the 'wrong' location or physically unsuited for adaptation and would generally require rebuilding, thereby triggering a full application.

Often located in single-use industrial estates, unless the scale of conversion is comprehensive, or the plot is on the periphery, market forces are likely to limit potential. However, even in a favourable location, the construction of many industrial buildings are often unsuitable for conversion due to factors such as access to daylight, and longevity of materials (portal frame buildings such as the image below).



Industrial building portal shed type

3.4

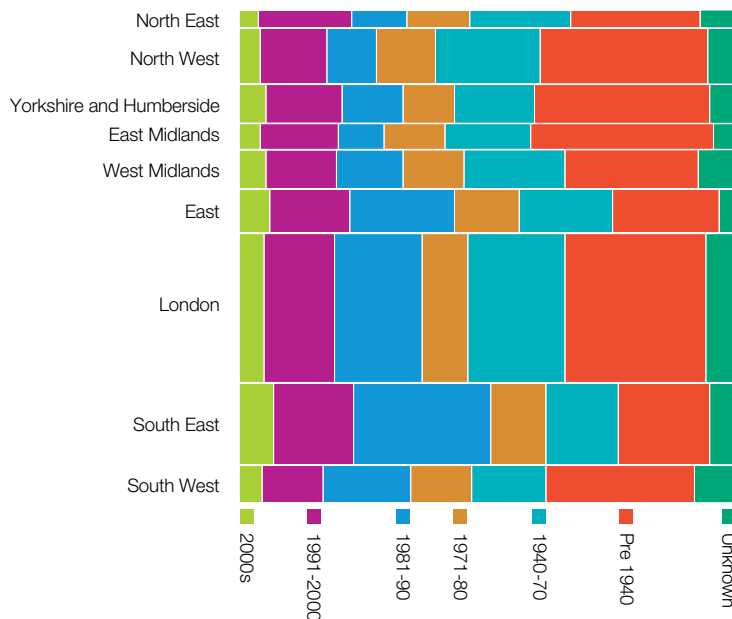
Where is the available space and how does this relate to the market?

So if office space remains the best opportunity for conversion work, and of this, the 1945-1970s space is perhaps the most available, and suitable, where are they most likely to be found? Published and reliable national data is not widely available. However, Figure 5 below uses Valuation Office Agency (VOA) data from the mid-2000s (the most recent publicly available) to show the distribution of office space by age and region.

Figure 5 highlights the following:

- i) London, the South East and East of England combined represent over half (55%) of the office space in England. Together with its currently stronger residential market as a whole, this part of the country has the greatest overall potential (although local markets elsewhere will have some opportunities).
- ii) The North and the Midlands have seen relatively limited office development over the past four decades, meaning that (based on mid-00 figures) pre-1970s space represented almost two-thirds of total office space. It is therefore more likely to be performing a role in meeting demand in local office markets and, with lower rates of new build office development, is perhaps more likely to be refurbished for continued commercial use. The residential market is also weaker, particularly for apartments, given the impacts of mortgage rationing on first-time buyers who remain key segments of the market for such products in those locations. However, it is likely that these areas may be the focus of future demand, as considered earlier.

Figure 5
Office space according to age and region



And clearly values remain critical. The greater the potential residential premium above the existing use value, the more potential there is for conversion to be attractive. This might mean that areas with cheaper commercial space are more attractive for conversion, particularly if the 'affordability' of commercial space is due to an over-supply. But clearly there is a potential positive correlation in some locations between high residential and high commercial property values: Figure 6 highlights that London has by some margin the highest rateable values for commercial floorspace (just as it does for residential values) but CLG's evidence base indicates that Ealing and Croydon in outer London have lower multiples of residential to industrial values compared with locations like Oxford or Plymouth. It is a positive differential that matters, coupled with locations where residential markets are capable of driving demand for the types of housing product likely to arise from commercial property conversion. Equally, high value differentials arising from low commercial rents may be symptomatic of a poorly performing

3 What is the scale of the opportunity?

local economy or poor quality local environment – both factors that in many locations will deter residential demand and conversion projects. There is, therefore, a need to look at sub-district property market dynamics in order to understand the genuine potential.

So what does this mean for availability of the 'most likely' 1945-1970s stock of office space for conversion?

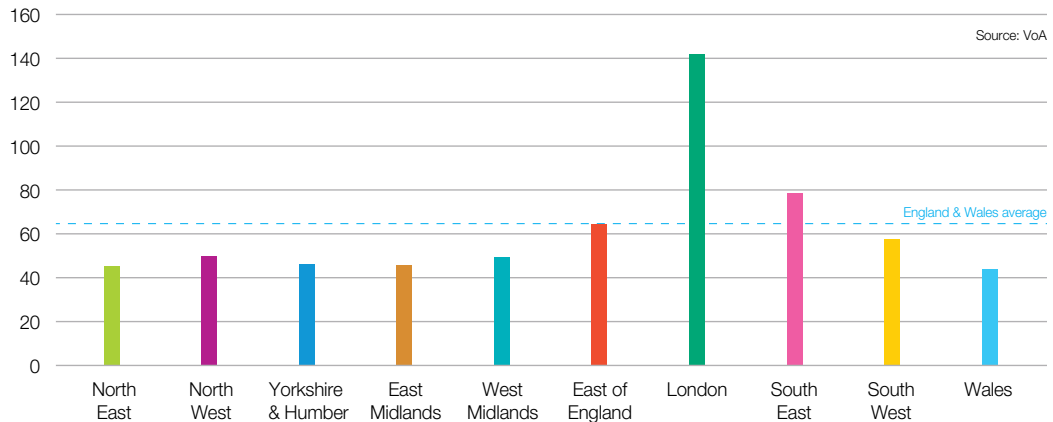
For the three southern regions, particularly the South East, the relatively higher proportions of new space coming onto the market might mean that older space becomes redundant more quickly, if total demand for space does not match gross supply. The relatively high rate of office development, the past rates of residential conversion of 1940-1970 space in London, and a stronger office market (particularly in London), means that the availability of older space is now a relatively small proportion of total stock. For example, there is more space dating from just ten years 1981-90 in the three southern regions than from the three decades 1940-1970.

Areas of greatest potential for this diminishing pool of post-war/pre-1970 office space are now likely to be in outer London centres and London's satellite towns where post-war town centre office space was built at a time of post-war decentralisation, but has to some extent, been superseded by modern out of town business parks and the shift of gravity back into the agglomeration benefits of Central London.

As the complex dynamics of economic uncertainty and supply and demand play out, it seems likely that the greatest potential will be in office buildings of the post-war period, in established centres or residential environments in London and the wider South East (e.g. Guildford, Sevenoaks), and this provides the basis for the case study that is the subject of this report.

But other centres may also provide localised opportunities over the next five or so years. Centres likely to have one or more buildings ripe for conversion and where the market circumstances might just bring together opportunities for conversion include not just the major conurbations, but also towns and cities like Harrogate, Nottingham, Northampton, Norwich, Bristol, Southampton and Exeter.

Figure 6
Rateable values for commercial floorspace: 2008 (£/sqm)



3.5

Limitations

The potential opportunity at one level appears to be significant. If just a fraction of available B-class space can be converted to residential, the residential output could be large. This matches a growing need for new residential accommodation to deal with the increase in the number of households over the next 25 years. That's the theory. It may also be that the reservoir of employment land provides a real opportunity (albeit with a series of economic and local policy ramifications that need very careful thought).

But the reality is that the potential opportunities from conversion of buildings need to be set against the following constraints:

- Not all, or even most, buildings are suitable for conversion. Many industrial buildings are in the wrong place or have a structure that simply is not right for conversion – demolition and redevelopment is the issue here – and that requires planning permission. Many office buildings also have limitations. Both pre-war and the most modern office buildings have constraints that limit the scope for immediate or straight forward conversion.
- Post-war 1945-1970s buildings perhaps have the most obvious 'fit' with residential requirements and there remains a definite reservoir of opportunities, but such buildings do have specific requirements that we explore later in this document.
- The residential market drivers for conversion of commercial space to residential vary by territory: with its thriving housing market, it is no surprise that London is estimated by CLG to have twice the rate of conversion of commercial space as any other region; by contrast, many regional urban centres that have seen past rates of high-density residential development are widely believed to have reached market capacity for the foreseeable future due to mortgage rationing and the reduction in speculative buy-to-let activity for small, high-density apartments. Securing development and mortgage finance for residential products of this type is currently challenging. Planning is unlikely to be the barrier to increasing conversion rates in these latter locations.
- Rather than freeing up capacity in the commercial market for residential conversion, the recession is likely to have tightened the situation: in many locations, a reduction in the pipeline of new commercial space onto the market is driving up rents and reducing vacancy rates back towards the pre-recession level. In some centres this is more likely to drive refurbishment of existing office space than free it up for residential conversion.
- In most locations, the circumstances where it is possible to convert commercial buildings to new housing that has sufficient residential amenity, in the right type of location, with the right product to meet demand, and can be delivered in a cost-effective way, are not numerous.
- The conversion of office space is less likely to give rise to family homes where in market terms over the next few years at least, it is this type of product for which there is the greatest realisable demand.
- Legislation governing conversion projects (see list below) will impact costs and viability. In particular, building regulations (Part L) is expected to tighten requirements for energy efficiency / carbon emissions in 2013.

Legislation

The key statutory and voluntary legislation governing conversion to housing is as follows:

Voluntary

BREEAM Domestic Refurbishment. National Certification Scheme for refurbishment to be launched on 31st October 2011. Buildings will be rated according to the amount of improvement achieved relative to the original situation. It is likely that refurbished older buildings will therefore achieve a high score as they are likely to have required significant improvements to the building fabric to satisfy current building regulations standards.

Statutory

Part L of the Building Regulations;
Other regulations may be applied such as London Building Acts (Amendment) Act 1939: Section 20. If the building is over 30m in height, and within Inner London, extra fire-safety measures are usually needed and these include fire suppression systems (for example, sprinklers), smoke ventilation and access to the site by fire brigade personnel.

Standard Assessment Procedure (SAP);

Energy Performance Certification Scheme. Since June 2007, all homes (and other buildings) in the UK require a Energy Performance Certificate (EPC) before they are sold or let.

Realising the opportunities

Having considered the broad supply and demand factors governing the potential of the opportunity arising from the government's proposed change, this section of the report explores some of the practical and site-specific factors that may arise in taking forward conversions with reference to a case study.



Having considered the broad supply and demand factors governing the potential of the opportunity arising from the government's proposed policy change, this section of the report explores some of the practical and site-specific factors that may arise in taking forward conversions with reference to a case study. A redundant 1960's office in Hillingdon was identified as being a typical building that is available in many locations and might be considered appropriate for conversion.

4.1

Lessons from the case study

Outdated for its original intended use, the building has been lying empty for several years. Located in London in the borough of Hillingdon, an area typically where demand for housing is far greater than the demand for office space. The following sections summarise the key issues in relation to this hypothetical conversion project.



Existing 1960s office building

Location

Situated in Hillingdon, the case study building is typical of many office buildings located in mixed use urban /suburban areas within London. Unlike many B2 and B8 use buildings (industrial, distribution and storage) which are often located in single use industrial estates, office buildings are more likely to be located in mixed use areas that are likely to be far more desirable for residential usage.

Accessibility

With good links to main roads and access to public transport, the location of the case study building is sufficiently accessible for residential use.

Building use

Office (B1)

Building type

1960s concrete frame construction, 12 storey tower.

Location

Hillingdon, London.

Size

Building footprint is 1,175 sqm and the total area of the site is 0.56 hectares.

Figure 7
Case Study Building
proposed sketch



Proposal

Conversion into 108 one to three bedroom flats with parking at ground floor.

Technical works required

- Re-cladding of existing structure to increased energy standards (including window replacement).
- Stripping out of existing internal partitions and introduction of new internal partitions and services according to residential layout.
- Upgrading of existing lift /stair /circulation facilities.
- Heating and ventilation systems replaced.
- Rationalise external areas to provide parking, amenity and storage space for cycles, refuse and plant.

Minimum standards

Inclusion within permitted development removes requirements and standards imposed by planning. There are however certain regulations that must be adhered to:

Building Regulations – Specifically Structural (Part A), Fire Safety (Part B), and Conservation of Fuel and Power (Part L), sections of the building regulations will apply. If the building falls under Section 20 (normally buildings which are within Inner London and over 30m in height) extra fire safety measures may need to be included in the building.

Market requirements

- Parking and access to public transport.
- Minimum space standards.
- Daylight to all habitable rooms.

Typical standards associated with schemes requiring planning permission

Should the requirement for planning permission be reinstated (for example through imposed thresholds on the permitted development right), this could trigger 'normal' policy requirements for example:

- Affordable homes targets.
- Space Standards e.g. GLA standards for affordable housing.
- BREEAM domestic refurbishment standards, EcoHomes.
- Lifetime Homes.
- Renewable energy quota.
- Section 106 obligations /Community Infrastructure Levy (CIL).
- Transport /travel plan commitments.
- Amenity space.

Design issues (CGL)

The case study highlights the following general points:

- Proposed sites need good access, parking and amenity.
- Neighbourly issues need to be considered. Impact of non-residential uses creating noise and pollution and overlooking onto residential properties should be considered.
- Post-war linear blocks are easier to adapt to suit apartment layouts.
- Orientation should be considered as predominately north-facing apartments would not be desirable.
- Apartments are more likely to be suitable for smaller households (single people /couples).
- The costs related to conversion will be focused on upgrading the façade and servicing in order to meet regulations and to enhance aesthetics.

Re-cladding

Increased thermal performance requirements mean re-cladding is likely to be required. Upgrading the façade has the added advantages of increasing the lifespan of the building and improving the appearance for potential buyers.

Mix of uses

As with many such buildings of the period, the case study is a 'tower on a podium' layout, meaning the ground floor has a very different arrangement to other floors of the building. The ground floor could be used for parking, but depending on location it may be suitable for retail or commercial usage due to accessibility and limitation of daylight. There are further building control issues to consider for mixed use buildings.

Converting a commercial building may also require alterations to common parts to create a residential environment which is more attractive and welcoming. Features such as a welcoming and secure entrance to the site and lobby into the building, landscaping around the entrance level, inclusion of new balconies to apartments, communal gardens together create a more appealing residential setting.

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Existing site plan

Located within a mixed use community with good access by road and public transport, this site would be suitable for residential use.



Proposed site plan

Parking – Particularly in more suburban locations, parking is likely to be required. At the case study site the relatively large site provides the opportunity for outdoor parking.

Outdoor Space – The planning guidance for the Borough of Hillingdon requires an area of 20-30 sqm of outdoor amenity space per dwelling (depending on size). Although this may not apply under permitted development, the inclusion of a communal garden area for residents may improve the saleability of dwellings. In the process of re-cladding it may also be possible to include individual balconies to dwellings.

Refuse – Refuse and recycling storage will be required for dwellings. This is likely to be significantly larger than the requirement for the existing office building.

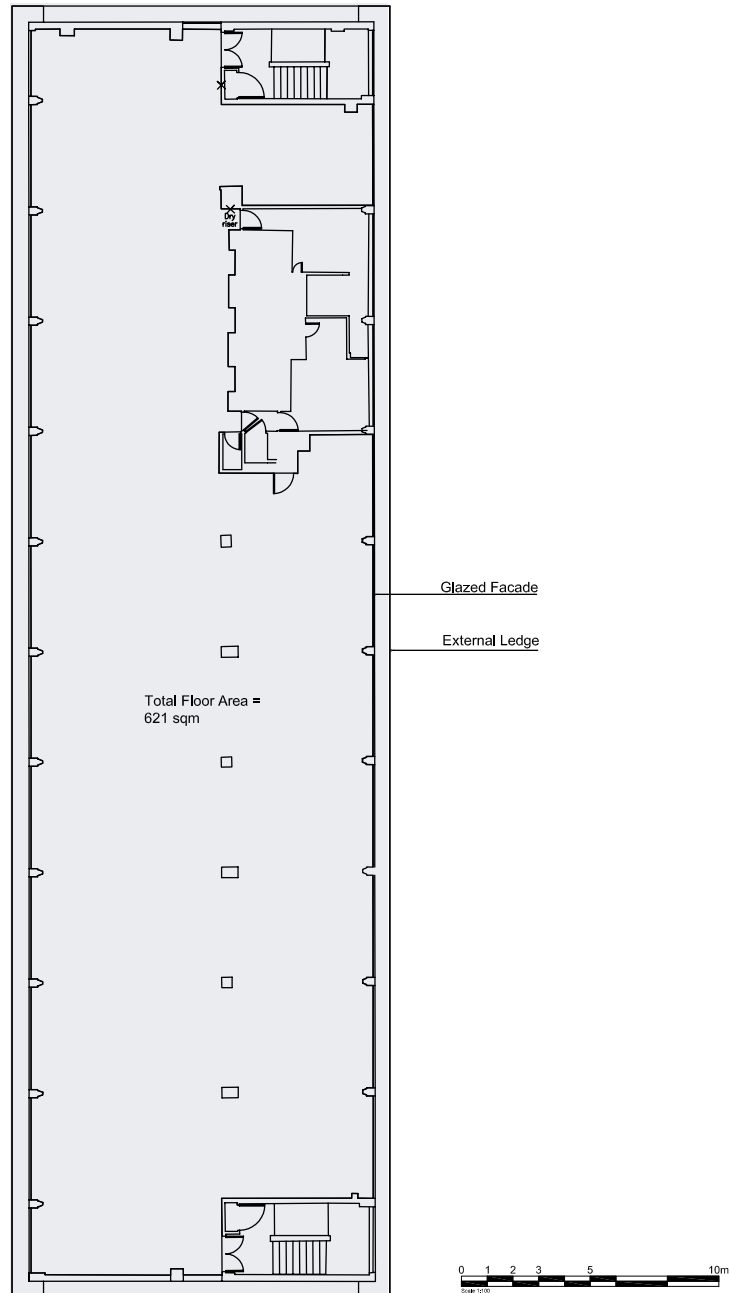


4 Realising the opportunities

Typical existing plan (floors 2-11)

The dimension of the existing floor plate is suitable for residential usage, as at depth of 13m on the narrowest side there is the opportunity to provide sufficient daylight to all flats.

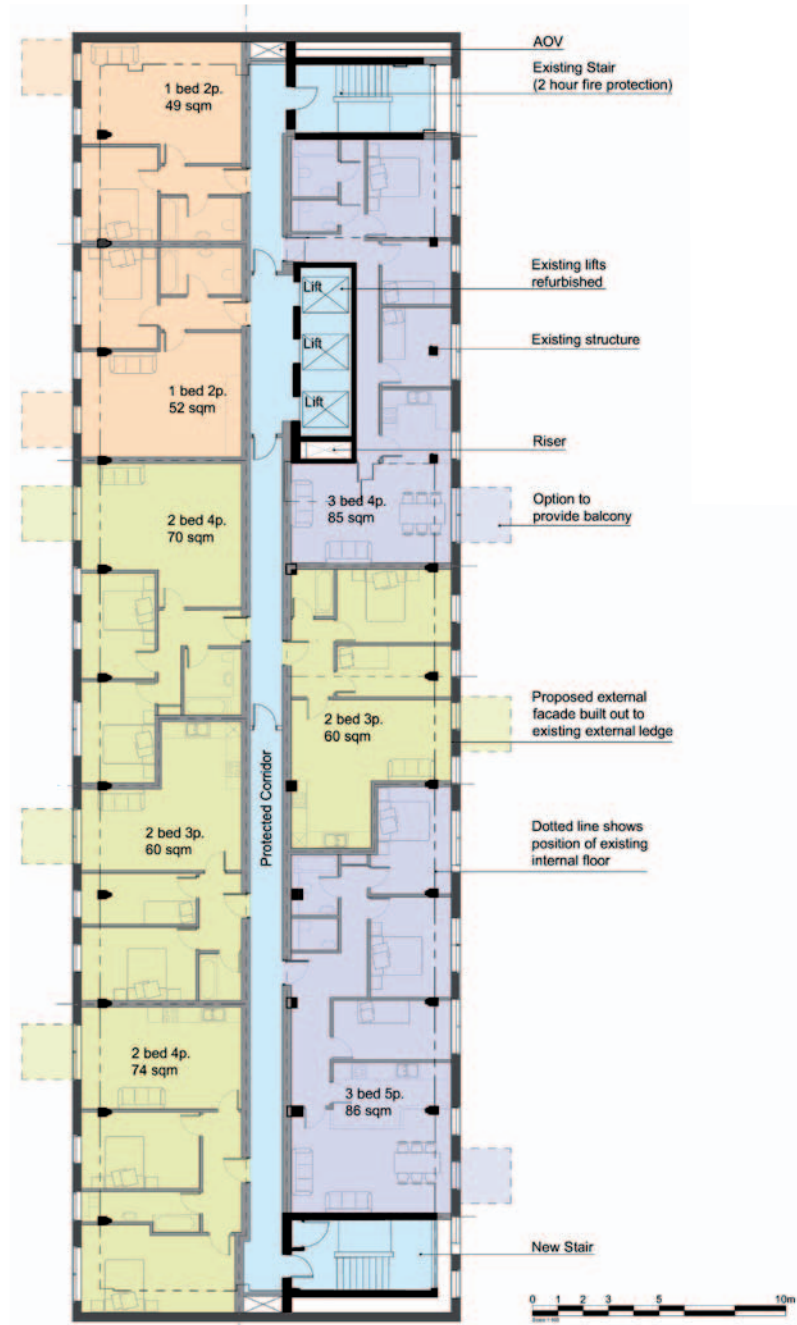
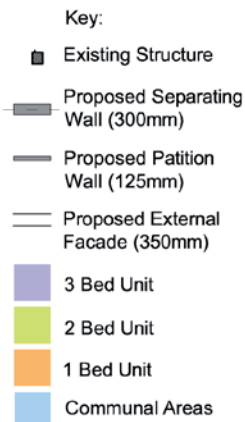
The presence of stair cores at each end of the existing building ensures that adequate fire escape distances can be achieved.



Typical proposed plan (floors 2-11)

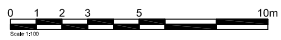
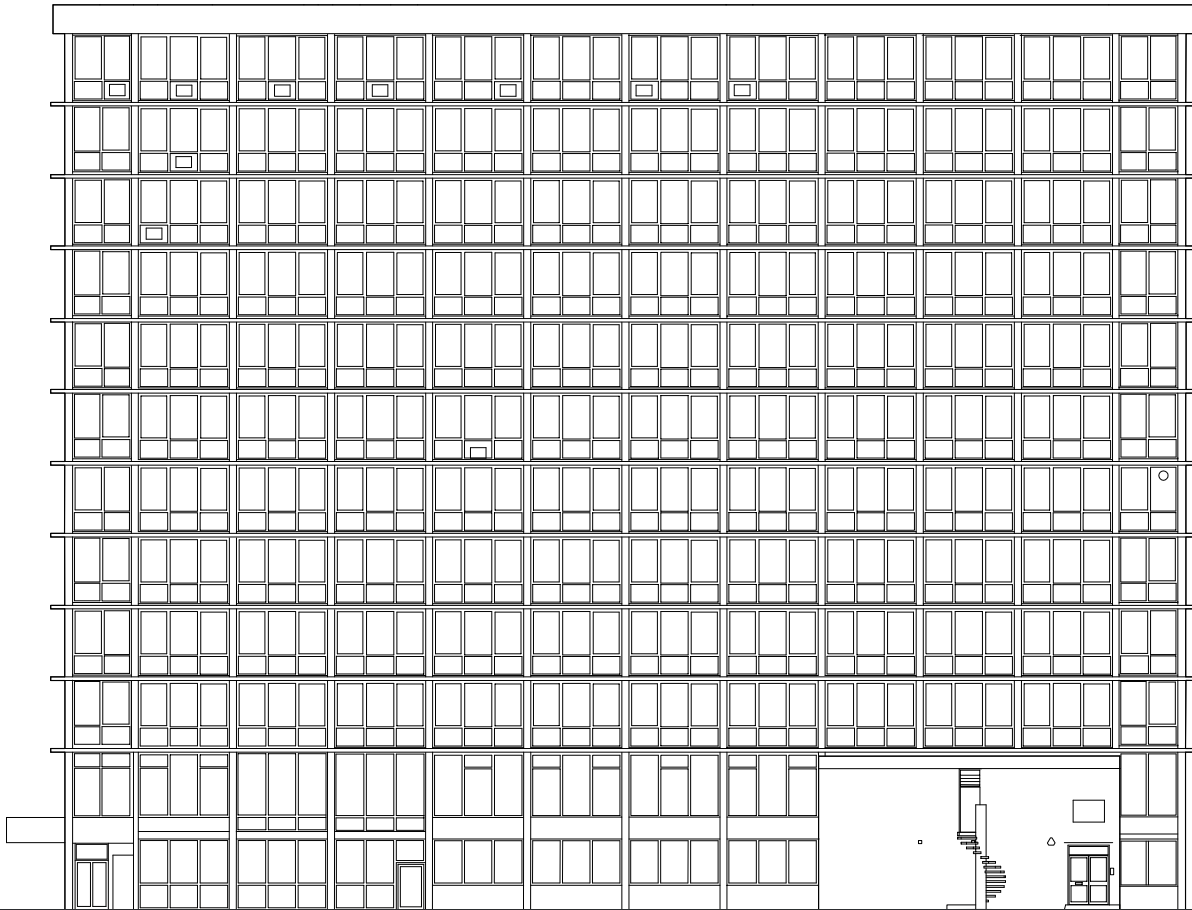
A mix of 1, 2 and 3 bed apartments have been shown, all designed to minimum space standards set out by the London Plan.

Possibility for further development – as part of the proposed re-cladding the floor plate has been extended slightly to increase interior space. In other projects it may be possible to do this to a greater degree.



4 Realising the opportunities

Existing east elevation



Proposed east elevation



The concrete frame construction of the existing building provides the opportunity to strip the building back to the structural frame and apply a new skin to the building.

The scheme would deliver considerable planning benefits, not least the provision of over 100 homes and the beneficial re-use and upgrade of a redundant building, also contributing to the surrounding townscape.

Planning issues (NLP)

Planning benefits – the scheme would deliver considerable planning benefits, not least the provision of over 100 homes and the beneficial re-use and upgrade of a redundant building, also contributing to the surrounding townscape. The reuse of the existing building is arguably more sustainable than new build.

External alterations – the case study building would require relatively significant interventions in the external envelope of the building, both to meet Building Regulation requirements and to achieve an attractive, marketable and lasting building. A planning application would have to be made for these changes.

Threshold threat – the case study building conversion would create 100-plus residential units. If, as the government consultation suggested, thresholds were imposed, a planning application may be necessary in any event. This could bring into question the principle of the change of use, but may also call into play other policy requirements.

Responsible markets – the case study assumes that the market will act responsibly in delivering appropriate standards of accommodation, outside of legislative and planning requirements. Will this always be the case or should there be some minimum standard conditions, e.g. in relation to internal and external space standards?

Amenity impacts – will every developer make sufficient provision to meet practical on-site requirements, and without undue impact on the surrounding community, for example, through overspill parking, inadequate provision for waste storage and collection access?

Development plan policy – where does the development fit within Hillingdon Council's strategy for managing employment floorspace? The council's draft Core Strategy and the London Plan identify a hierarchy of protected strategic and locally significant industrial and employment locations; LB Hillingdon also identifies locations where it will support the managed release of employment land, particularly where this supports other regeneration objectives. Will the ad hoc, uncontrolled release of employment premises undermine this managed approach?

Hillingdon planning requirements

Inclusion under Permitted Development would theoretically remove planning requirements, however, there may be situations where requirements still apply. As with any Local Authority, Hillingdon has its own specific planning requirements and targets. The specifics generally vary between local authorities but the over-riding issues are likely to be considered by all. The major issues to consider are summarised below,:

Affordable homes

Hillingdon's emerging core strategy states a target of 35% affordable homes provision.

Parking

1.5 car spaces per dwelling required. 1 cycle storage space per dwelling (2 for dwellings over 2 bed).

Lifetime homes

In accordance with the London Plan, all new dwellings (including conversions) should comply with Lifetime Homes standards, and 10% of these should be fully wheelchair accessible.

Minimum internal space requirements

See proposed plan in Appendix 1 for flat layouts that comply with Hillingdon's minimum space requirements.

Amenity space

20-30 sqm of shared amenity space per dwelling (depending on flat size) is required.

More energy efficient, better and healthier places to live will be more in demand.

4.3 Sustainability (Gifford part of Ramboll)

Legislation in the form of Building Regulations Part L enforces minimum standards for the conservation of fuel and power for all change of use projects. Changes expected in 2013 will mean that all housing developments will be required to meet energy /carbon targets which are a 25% improvement when compared with 2010. This will inevitably also include requirements for renewable sources of energy. In London, although not a mandatory requirement, there is a presumption that all major development proposals will seek to reduce carbon dioxide emissions by at least 20% through the use of on-site renewable energy generation wherever feasible.

Changes to legislation will mean that landowners will need to balance short-term capital construction costs with longer term operating costs. The housing sector is also influenced by sustainability becoming central to the marketplace as a whole. More energy efficient, better and healthier places to live will be more in demand. Alongside this are government incentives and grants for renewable technology and micro energy production which also bring economies of scale as more sustainable technologies are adopted.

Consideration should be given to wider sustainability issues (achieving the new BREEAM Refurbishment Standards will make this a

requirement). The government has made it clear that it intends to pursue the delivery of sustainable development both through the planning system (including introducing the 'presumption in favour of sustainable development' in the National Planning Policy Framework) and outside of this, for example, by following a path to zero carbon.

For schemes which have to go through the planning application process, the 'presumption' is key to the intended approach to both plan-making and decision-taking, by creating a development framework underpinned by economic, environmental and social objectives. Failing to build more resource-efficient housing foregoes significant benefits to households, society and the environment. Adopting EcoHomes or BREEAM refurbishment targets involves economic and social matters but it can be assumed that fulfilling such criteria could be an advantage in achieving permission for development.

For current conversion projects where a full planning application is required, EcoHomes (or BREEAM) standards can be enforced and conditions attached to any planning permission imposing further reductions in energy use as well as wider sustainability features including social, water conservation and ecology. Inclusion under permitted development may remove the requirement for conversion schemes to comply with Ecohomes, but it is possible sustainability requirements may be sought with applications for external alterations.

Increasingly, the private sector is recognising an emerging business opportunity in delivering sustainable developments by 'creating value'. Lower energy bills are an obvious attraction for potential occupiers while utility charges are expected to continue rising. The cost of achieving higher standards, and payback periods, are falling as technology develops and with economies of scale. The Climate Change Bill commits the UK to reducing carbon emissions by 80% by 2050. Investments now would also avoid costly corrective measures later.

Measuring sustainability: assessment methods

The established methods currently used to evaluate the sustainability credentials of a project are:

Code for Sustainable Homes: The Code for Sustainable Homes does not apply to refurbishment. It is an environmental assessment method to rate the performance of new dwellings.

BREEAM Ecohomes: Ecohomes can also be used for major refurbishments, but is due to be replaced by BREEAM Domestic Refurbishment at the end of October 2011.

BREEAM Domestic Refurbishment: This is the new standard for sustainable refurbishment which will soon be launched by BRE Global. It promotes moving towards an 80% reduction in CO2 emissions and highlights impacts on overheating and health, flood resilience, embodied carbon of materials, recycling of refurbishment waste, water efficiency, health, security, good project management and design.

Operational carbon in conversion schemes

Using the case study as an example, the annual predicted carbon emissions of the building in its un-refurbished state are 61.4kg CO₂/m². The case study shows that after renovation to Part L 2010 standards, the predicted annual carbon emissions are reduced to a predicted 16.5 kg CO₂/m². As well as contributing to reduction in carbon emissions this has significant financial benefits through reduced energy use over the life of the building.

4.4

Design issues - building control and related building services. (NHBC)

Projects involving the change of use from commercial to residential will still be required to comply with the full range of current Building Regulations. The specific areas to consider are summarised below:

Part A - Structure

A structural survey will be required to show the building is fit for conversion. Regulations concerning disproportionate collapse also apply, the requirements are higher for residential buildings and the regulations have tightened over recent decades, therefore the structure of older buildings may need strengthening. Concrete frames, however, are usually in good structural order.

Figure 8
Improving energy efficiency and carbon reduction. Case study analysis.

	Residential Conversion to Part L 2010	Residential Conversion to Part L 2013
Fabric	Wall U value = 0.28 Roof = 0.18 Ground = 0.22 Window = 1.6 (including frame) Air tightness = 5 m ³ /m ² .h Construction details γ = 0.15	Wall U value = 0.20 Roof = 0.13 Ground = 0.22 Window = 1.6 Air tightness = 3 m ³ /m ² .h Construction details γ = 0.15
Ventilation	Mechanical Ventilation with heat recovery	Mechanical Ventilation with heat recovery
Heating	Community Heating Gas Fired Boilers Will serve both heating and hot water requirements Individual hot water tanks in each dwelling, served by community heating Controls: Charging System linked to use of community heating, TRVs, weather compensation	Domestic Hot Water served by Gas Fired CHP Space Heating by gas fired boilers Community heating, with individual hot water tanks in each dwelling for domestic hot water Controls: Charging System linked to use of community heating, TRVs, weather compensation
Lighting	Low energy lighting in whole dwelling	Low energy lighting in whole dwelling
Renewable Tech	None	No additional renewables required
Overheating	Pass	Pass
Carbon Reduction	Dwelling Emission Rate is 1.6% less than Target Emission Rate	Dwelling Emission Rate is 29.3% less than Target Emission Rate

Part B - Fire

Fire regulations have been updated over the years and the requirement to comply with current regulations may throw up potential issues that are not directly involved with change of use. These issues include:

- Conversion may involve the introduction of a new fire escape because required escape distances to a protected fire core vary in office buildings to residential.
- Buildings over three storeys without an existing secondary escape route. It may not be possible to add an external fire escape, meaning the introduction of an internal secondary escape route could consume a large floor area.
- Many existing buildings over 30m will not have sprinkler systems. Once the 30m threshold is crossed it is a requirement that all floors of the building have a sprinkler system installed. At an average cost of around £4000 per flat this is a significant cost. It is worth noting however that internal layouts can be more flexible if a sprinkler system is in place eliminating the need for lobbies.

Part L – Conservation of fuel and power

Part L has potentially the largest impact on conversion projects. This sets out reduction targets for CO₂ emissions through improvements to thermal performance and building services. Currently part L 2010 Building Regulations apply, which is based on a 25% improvement on the previous 2006 regulations taking into account issues such as:

- Thermal performance of the building fabric
- Air leakage of the building fabric
- Thermal bridging
- Solar gains
- Boiler efficiency
- Fuel types /renewable energy sources
- Cooling loads

An un-refurbished office building from the 1960s is likely to have existing U-values of between 1.0 and 2.0, meaning the proposed U-values represent a significant improvement.

Target U-values for a refurbishment project are approximately 90% of new build targets. However, if the conversion project involves stripping back to the structural frame and the introduction of a new external envelope (as in the case study) the minimum U-value for a new build would apply.

Building element	Current U-value standards for conversion	Current U-value standards for a new build (including re-clad projects)	Predicted Part L 2013 U-values
Wall	0.3	0.28	0.2
Floor	0.25	0.16-0.18	0.12
Roof	0.16-0.18	0.16-0.18	0.12
Window	1.6	1.6	1.2
Door	1.8	1.8	1.2

Target U-value	Thickness of phenolic foam insulation required	Thickness of breathable cellulose based insulation required
0.28	50-70mm	100-150mm
0.2	90-120mm	150-200mm

The development of legislation governing building regulations

Part L - design considerations

2010 – Part L Revised (25% improvement in the energy / carbon performance of the dwelling compared to 2006 (Part L Building Regulations) Exemption of carbon neutral homes from stamp duty

2013 – Part L Revised (CO₂ emissions equivalent to Code 4) 44% improvement in energy / carbon performance compared to 2006 levels

2016 – all new homes Zero CO₂ emissions (carbon neutral energy efficiency equivalent to Code 6) A+ EPC Ratings and Renewable Energy required

4 Realising the opportunities

4.4

Cost of development

Based on the case study building, RLF have conducted analysis to show the relative costs of development in four scenarios (Figure 9):

- 1 Office refurbishment to Part L 2010 – for a dilapidated office building such as the case study to be updated to modern office standards significant refurbishment will be required. Change in the original pattern of use or installation of new services will trigger the requirement to comply with Part L 2010.
- 2 Office to residential conversion to Part L 2010.
- 3 Office to residential conversion to Part L 2013 – this will require at least 25% improvement in energy performance on 2010 regulations.
- 4 New build residential – the cost of constructing an equivalent new building.

This data is summarised on the graph opposite. From this we can see that the cost increase from refurbishing the existing office building to converting to residential use (to Part L 2010) is only 19% (or 26% to Part L 2013).

The cost increase from converting the existing building to an equivalent new build would however be 37%. This demonstrates that there are clearly considerable cost benefits in the conversion process when compared to new build.

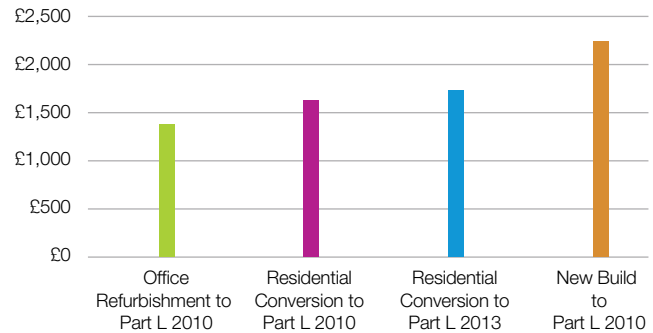
Cost breakdown

The adjacent graph breaks down the costs for individual elements of development for the three conversion scenarios described above (excluding new build information). As the costs are based on the case study building, it can be assumed they would vary with different building types, for example, envelope completion costs may be reduced in a building that does not require re-cladding.

The highest elemental cost for all three scenarios is for façades and services. The key costs involved with the fabric upgrade are governed by the Building Regulations Part L. As described in previous sections, these regulations are expected to raise energy efficiency/carbon reduction measures in 2013.

Figure 9

Cost of development (£/sqm)

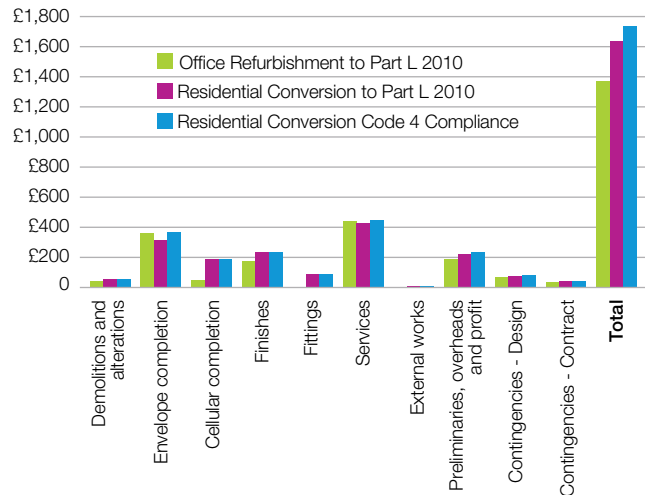


Notes

- 1 All costs are current construction costs only and therefore exclude VAT, professional fees, acquisition etc.
- 2 Based on permitted development and make no allowances in connection with Section 106 agreements, affordable housing quotas nor renewable energy requirements.
- 3 The costs are strictly for comparative purposes only and as such should not be utilised to budget any particular scheme.

Figure 10

Elemental costs of case study scenarios (£/sqm)



Cost impact of not going down permitted development route

Issues that will affect the viability and cost of a residential conversion scheme if not carried out under the permitted development route will, of course, not only incur additional construction costs but also have an impact on the income stream for the scheme.

Currently, commercial buildings are often required to be advertised /marketed for a reasonable period in order to demonstrate that it is no longer appropriate for employment use and to support the case for conversion. Vacant buildings rates also apply. So there is a direct opportunity cost incurred during this period of market testing. There is also an impact on townscape quality as redundant office buildings remain vacant and unused.

Possibility of planning requirements being applied

Planning permission may still be required for development other than the proposed change of use; therefore there remains some possibility that planning policy obligations could be triggered, for example, relating to:

- Affordable housing
- BREEAM Domestic Refurbishment /EcoHomes
- Lifetime Homes
- Renewable energy
- Other Section 106 contributions
- Community Infrastructure Levy (CIL)

However, such requirements would be subject to relevant legal tests and may be legitimately challenged if applied inappropriately.

VAT issues

In relation to construction costs, VAT at the standard rate would apply to commercial refurbishment of a building. However, the situation regarding residential development and conversion is far less clear.

New build residential built for sale is normally zero rated and in general, conversion works attract the standard rate, except for certain instances regarding approved alterations when working on Listed Buildings.

However, the VAT rate can be reduced to 5% where there is a 'changed number of dwellings conversion' and this applies even where there were no dwellings to start with. Therefore this relief may be available for office conversions to residential.

Consultants' services will in normal circumstances be charged at the standard rate although where a design and build contract is in place, the contractor may tax post contract consultants' services in accordance with the regime for the main contract.

In relation to the sale of units after conversion, the issue of whether the building owner has opted to tax for VAT purposes is relevant. Generally, the first grant of a long lease over 21 years is zero rated and this can have significant consequences.

As a result of the complexities involved with this issue, specialist advice should always be sought from the outset, particularly where the developer is unable to recover VAT or where VAT will have a significant impact on the funding costs.

What are the planning policy implications?

The case study demonstrates some clear planning benefits, including the reuse and rejuvenation of a redundant commercial building, creating 108 new dwellings, and providing townscape enhancements. This would deliver on important national planning objectives without obvious adverse impacts.

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For Hillingdon, where there is a clearly defined hierarchy of employment locations (for example, the emerging Core Strategy identifies concentrations of offices around Heathrow, Uxbridge and Stockley Park) the loss of this building from office use is unlikely to be cause for concern and will, indeed, deliver on mixed use regeneration objectives for this particular area.

That said, with the proposed permitted development rights in place, this windfall of residential properties would not be subject to other criteria, standards or obligations established in planning policies for the area; the Borough could lose out on the potential delivery of affordable housing through this development, along with other possible planning benefits that might be derived through the normal planning process – unless the developer chooses to provide these voluntarily. These could range from the provision of renewable energy, to contributions to the health, education, community and transport services required to meet the needs of the new residents.

Looking at the permitted development right proposals more widely, and leaving aside the obvious benefits, one of the roles of planning is to ensure that development is delivered to appropriate environmental and amenity standards, both for users of new development and for its neighbours. The planning authority will lose out on its control, for example, of internal space and environmental standards, provision of suitable amenity space, and of essential services – all those elements that fall outside of building control.

There will, therefore, be a reliance on the market providing dwellings and residential environments that are of an appropriate quality. Yet there will also be implications for local planning authorities in the delivery of essential services and infrastructure, and environmental and amenity enhancements. The question for policy-makers is how can they plan for this?

For prospective developers, an area of concern is that the opportunities and benefits of the new permitted development right could be lost if local authorities seek to use the system of planning conditions and obligations to reintroduce policy requirements where more limited planning applications are submitted. Planning applications will need to be made for external alterations in many instances and this creates the risk that 'normal' planning requirements will be reinstated, over and above core building standards, potentially undermining viability.

The system of obligations and conditions should, however, prevent this from happening. Planning obligations, by law, must be necessary, directly related to a development, and fairly and reasonably related to the scale and kind of development. The requirements of government advice and case law on conditions are, similarly, that conditions must be relevant to the development in question. This should ensure that unnecessary requirements are avoided; an application for external alterations, in this context, should not lead to requirements for example for affordable housing.

A further unknown risk for developers is that either the new permitted development rights are abandoned by government as a consultation outcome, or that they are subject to such onerous conditions, exclusions, thresholds etc that their value is negated. If this happens, and although a softer tool, it is still highly likely that the government will be introducing in national policy a positive presumption in favour of sustainable development and more specifically, a policy promoting the change of use from commercial to residential (as set out in the draft National Planning Policy Framework, July 2011). With plans to simplify planning application requirements, this supportive policy stance could still create opportunities that were not previously there.

Although not a focus of this study, a major concern for planning policy-makers is the risk it creates to their ability to plan and provide for economic needs through supporting and protecting key employment areas. What if the case study building was in a critical employment area around Heathrow (although market forces might suggest residential conversion in such circumstances might be unlikely)? It is likely that local authorities will look to use existing powers to issue directions that will exclude certain key areas from the new permitted development right (Article 4 Directions) where fully justified.

Whatever the final outcome, responsive local authorities will have a critical role in providing an essential cushion to the changes. This means being sensitive to areas of change and recognising future economic drivers and needs, alongside the physical and social infrastructure required with new housing. Proactive monitoring of the market and employment conditions will be important, as well as careful and responsive use of financial receipts, for example, from the Community Infrastructure Levy and the New Homes Bonus, drawing, on the new local financial incentives being offered.

Further planning policy considerations, in response to the government's consultation, are set out in the discussion in Appendix A1.

Developers' toolkit

This section presents an approach to assessing development opportunities and provides a toolkit to guide the decision-making process.

This section presents an approach to assessing development opportunities and provides a toolkit to guide the decision-making process.

There are many ways of doing this, but any such process is likely to include asking questions based on an understanding of three key stages:

1 Selecting the right scheme

which encompasses:

- the physical and legislative context
- market conditions in the form of supply and demand

2 Designing the right scheme

- the process of evolving and testing development solutions

3 Taking the development forward

- procurement, construction and future-proofing

6.1

Selecting the right scheme

Understanding the context

Land use planning context:

- The adopted planning position with specific reference to local allocation of residential growth.
- Status and timetable of any statutory plans and their implications for population change, supply of housing and infrastructure.
- Site specific development plans.
- Non-statutory planning documents such as housing capacity studies.
- Site specific development knowledge from council officers on land ownership, planning histories, contamination, wider land use changes etc.

Physical context:

Location - areas where the residential use would be desirable both in relation to potential occupiers and existing neighbours. Well located, accessible sites should be a given, particularly sites within commuting distances to larger cities or towns. Other considerations should be the availability of local amenities; retail, health, leisure and educational facilities.

Conversion potential – depth of plan and orientation of existing floor plates should be adaptable to allow adequate daylight for residential usage. Condition of existing structure must be viable for reasonable updating to meet current building regulations.

New build potential – if the existing building is not appropriate for conversion then the potential to replace it with change of use permitted on the land can be considered. This approach will require full planning permission and although potentially looked upon more favourably under proposed amendments to the planning system, could bring with it the wider risk and expense associated with the existing planning system.

Understanding the extent of exterior amendments required – as existing buildings undergoing conversion will typically require additional insulation it should be considered whether this will be applied externally or internally. External cladding will trigger the requirement for planning permission.

Assessment of market conditions will be informed by:

- The scale and nature of projected housing need. For example, some of the most acute shortage of housing is for lower cost housing and family accommodation, even as the number of single person households increases. Because conversion schemes are unlikely to be appropriate for family accommodation, lower cost housing is a significant potential market. Dwellings of limited size but mid-quality finishes are likely to be appropriate for the market.
- The type of new residential accommodation will be influenced by realisable demand linked to the local housing market and ability of prospective occupiers to purchase/rent. This will determine potential affordability levels and tenure, which in turn are key influences on market demand for number of bedrooms, parking etc.
- Indications of future needs and market drivers at a local level can be assessed based on ONS /CLG projections, market analyst tools such as MOASIC and ACORN, and qualitative market intelligence. NLP's HEaDROOM framework provides a tool for assessing the need for housing in a local authority area.

6.2

Designing the right scheme

As discussed in previous sections older, vacant office stock will be the most likely source of development opportunities. A feasibility study should be carried out to determine:

- The condition of the building and any upgrades to structure and services which may be required.
- The potential number of units which may arise from development.
- Options for other land uses, mix of tenures and extending the existing building footprint.

Affordability is a key issue, and as noted, market research will influence size and tenure.

Specific issues related to converting existing commercial buildings are:

Coordination – the integration of façade, interior layout and services is likely to be more challenging than with a new build approach.

Re-cladding – the majority of conversion schemes are likely to require some element of re-cladding. This is likely to be the most visible alteration in the conversion process and to have the largest impact on the perceived image of the building.

Amenity – private and communal spaces in the form of balconies or in noisy/polluted environments, winter gardens.

Sustainability – energy requirements in the building regulations ensure that minimum standards must be met by all developments. When considering the whole-life costing of a building, it may be viable to further improve the energy performance. Because proposed planning policy indicates that increased weight will be attached to sustainable development, this approach could have further advantages particularly if the scheme continues to require planning permission of some scope.

Additional facilities – adequate space for external amenity space, parking, communal facilities and refuse facilities should be allowed for.

6.3

Taking the development forward

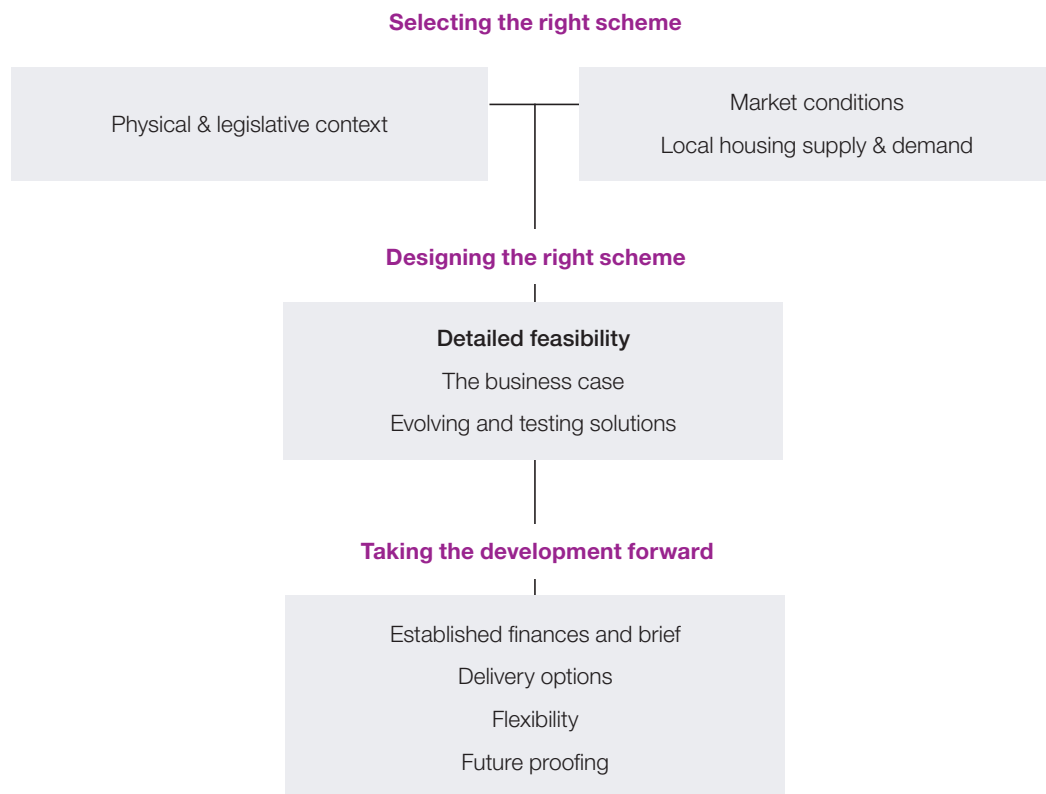
Delivery options should be considered against the following criteria:

Deliverability – a streamlined decision-making process and established financing will ensure the project is delivered in a planned and timely manner.

Flexibility – the delivery process will need to be flexible to allow for unforeseen circumstances – particularly relevant when developing existing buildings.

Future proofing – this inevitably comes at a price in the short term but the completed building will need to adapt to future needs as market conditions and legislation change. Maintenance is also a key cost, and better quality services and materials will reduce costs in the long term.

Risk – allowing for a detailed feasibility up-front should reduce risks associated with identifying the best approach to planning, construction and procurement.



Appendices

A1**Response to the CLG Consultation,
March - June 2011: A discussion****Impact of policy changes**

With the door now closed on the government's consultation on relaxing planning rules for changes of use from commercial to residential, there is a chance to reflect on its implications and possibilities.

Ageing office stock will often face greater technical challenges than more recently developed offices. Achieving the tougher Building Regulation standards, particularly in relation to energy performance, will create practical and cost hurdles. This is even before tackling the issue of what will sell. How much internal space, amenity space, parking, and additional facilities will the market require?

In this context, imposing additional thresholds and other conditions may negate the advantages of having a quicker route for achieving planning permission. Given the limited pool of opportunity and the positive need to increase housing supply, the planning system may need to accept that certain additional planning benefits must be sacrificed in order to realise the intended benefits of the government's proposals.

If the government's proposals are to be effective, an expression of positive support in national policy will be needed to complement the proposed change to legislation. This will need to ensure that a) only limited conditions should be enforced; and b) planning applications required for any necessary external or other operational works must not be seen as an opportunity to reinstate other planning requirements or in-principle barriers that the permitted development rights have sought to remove.

This begs the question: would a robust national policy approach endorsing greater flexibility be preferable to a national permitted development right? A national policy approach may also have merits in giving local authorities some practical means of ensuring that the measure does not harm their ability to plan for the employment land and premises that will be needed to support the economic growth that they and the country needs.

Will proposed amendments to the planning system work in practice?

If the view is taken that the benefits of expanding permitted development rights are likely to increase housing supply significantly, this may justify the potential opportunity cost of no longer being able to secure planning obligations (including for affordable housing) that would ordinarily accrue for schemes that would previously have required a planning application. The scale of this opportunity cost is difficult to judge, partly because the scale of increase in housing supply is unknown but also because the viability crunch is making delivery of affordable homes through s106 obligations increasingly difficult.

If the government's proposals are to be effective, an expression of positive support in national policy will be needed to complement the proposed change to legislation.

What essential safeguards should be maintained?

Policy recommendations

Other frameworks and factors will ensure that housing is delivered to core standards for example, through Building Regulations and via the market. Looking to the future, these create potentially onerous and costly requirements for conversion projects, but they will deliver residential schemes to a critical benchmark. In the circumstances where permitted development will apply, therefore, additional planning interventions, such as conditions and thresholds, should be minimised in order to maximise benefits arising from the proposed change in permitted development towards the delivery of new housing.

There may, nonetheless, be a case for imposing a limited number of conditions (e.g. space /amenity standards) that will guarantee that the market acts in a responsible way in delivering new homes. These should be delivered through self-certifying conditions attached to the permitted development.

Local authorities, and their communities, should be given the tools to protect strategic or significant employment areas by opting out of the new permitted development rights through Article 4 Directions.

The imposition of thresholds to limit the size of any building or development to which permitted development rights might apply could also threaten the deliverability of schemes and act as a deterrent to developers, frustrating the policy intention of delivering new housing. It is recognised, however, that the physical practicalities of this type and size of scheme – for example, parking, access, refuse collection and so on – may give rise to local concern. The imposition of thresholds, therefore, should be used only to allow a limited range of practical issues to be checked by the local authority (through a prior approval process), and not open up the question of principle or give rise to a long list of contributions.

Local authorities, and their communities, should be given the tools to protect strategic or significant employment areas by opting out of the new permitted development rights through Article 4 Directions. This must, however, be without threat of compensation. This will not only support a localised, managed approach to the supply of employment land (and so local employment opportunities), but would enable greater flexibility and freedom elsewhere in a local authority area without fundamentally threatening a local employment base.

Planning applications will need to be made for external alterations in many instances and this creates the risk that 'normal' planning requirements (e.g. for affordable housing, renewable energy etc) will be reinstated in addition to the above core standards, potentially undermining viability. Planning obligations, by law, must also be necessary, directly related to a development, and fairly and reasonably related to the scale and kind of development. The requirements of government advice in Circular 11/95, and in case law, are also such that conditions must be relevant to the development in question. This should ensure that unnecessary requirements are avoided; an application for external alterations, in this context, would not lead to requirements for affordable housing for example. Government should do its utmost to re-assert this policy and legal position.

What are the alternatives?

Inclusion within planning policy rather than planning law

Taking the findings of this research in the round, the government will need to reflect on whether a supporting policy position and the presumption in favour of sustainable development in the emerging National Planning Policy Framework should be developed further into an alternative way of achieving the same outcomes sought through changing permitted development rights for Class B and C3 uses. The strong policy framework that should be provided by the National Planning Policy Framework and its proposed presumption could potentially strike a better planning balance, in that newly formulated national planning policy would be used to boost housing provision locally, while pursuing a pro-growth agenda.

There are potential benefits arising from changing the GPDO and allowing opting out via Article 4 – in particular this is a more ‘forceful’ approach that emphasises the government’s stance on releasing business buildings for residential use. But changing permitted development rights may have unforeseen and harmful consequences. Using national policy in the National Planning Policy Framework instead may be not seen as being as forceful, but it is more consistent with the localism agenda. And if a local planning authority seeks to exempt itself via its local plan policy, that policy can be objected to as it emerges, and a refusal of planning permission based on such a policy approach once adopted can be appealed.

Introduction of reduced planning application or pre-submission approval.

The government has said that it will soon be consulting on simpler planning application procedures and requirements, particularly for applicants submitting outline applications. There is clearly scope to simplify other planning application requirements - one of the more obvious being for changes to the external appearance of a building for which change of use is permitted development. CLG should consider the opportunities for, and suitability of, a new prior notification and approval regime for such applications.

The strong policy framework that should be provided by the National Planning Policy Framework and its proposed presumption could potentially strike a better planning balance, in that newly formulated national planning policy would be used to boost housing provision locally, while pursuing a pro-growth agenda.

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Child Graddon Lewis was formed in 1992 and has around 35 staff based at its studios in Spitalfields, London. The practice delivers elegant and imaginative solutions to a wide range of clients across the commercial, retail, residential, leisure and transportation sectors.

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Kean Street conversion to residential.
Child Graddon Lewis Architects

Departments to Apartments

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